

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Leighton
Allegan County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2005

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INDEPENDENT AUDITORS' REPORT

**Township Board
Township of Leighton, Michigan**

We have audited the accompanying financial statements of the governmental activities, the discretely-presented component unit, and each major fund of the Township of Leighton, Michigan, as of March 31, 2005, and for the year then ended, which collectively comprise the Township of Leighton, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Leighton, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely-presented component unit, and each major fund of the Township of Leighton, Michigan, as of March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 1, 2004.

The budgetary comparison information on pages 22 - 26, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Township Board
Township of Leighton, Michigan
Page 2

The Township of Leighton, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

June 2, 2005

BASIC FINANCIAL STATEMENTS

Township of Leighton
STATEMENT OF NET ASSETS
March 31, 2005

	<u>Primary government</u>	<u>Component unit</u>
	<u>Governmental activities</u>	<u>Leighton Township Green Lake Sewer Commission</u>
ASSETS		
Current assets:		
Cash	\$ 1,049,417	\$ 535,280
Receivables, net	116,145	57,120
Prepaid expense	16,421	-
Total current assets	<u>1,181,983</u>	<u>592,400</u>
Noncurrent assets:		
Receivables, net	63,561	295,000
Capital assets, net of accumulated depreciation	<u>1,286,376</u>	<u>2,346,385</u>
Total noncurrent assets	<u>1,349,937</u>	<u>2,641,385</u>
Total assets	<u>2,531,920</u>	<u>3,233,785</u>
LIABILITIES		
Current liabilities:		
Payables	32,876	-
Current portion of long-term obligations	<u>65,749</u>	<u>-</u>
Total current liabilities	<u>98,625</u>	<u>-</u>
Noncurrent liabilities:		
Long-term obligations	<u>63,561</u>	<u>436,600</u>
Total liabilities	<u>162,186</u>	<u>436,600</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,256,976	1,909,785
Restricted for:		
Public safety	414,771	-
Public works	114,016	-
Recreation and culture	362,532	-
Unrestricted	<u>221,439</u>	<u>887,400</u>
Total net assets	<u>\$ 2,369,734</u>	<u>\$ 2,797,185</u>

See notes to the financial statements

Township of Leighton
STATEMENT OF ACTIVITIES
Year ended March 31, 2005

Functions/Programs				Net (expense) revenue and changes in net assets	
	<u>Expenses</u>	<u>Program revenues</u>		<u>Primary</u>	<u>Component</u>
		<u>Charges for</u>	<u>Operating</u>	<u>government</u>	<u>unit</u>
		<u>services</u>	<u>grants and</u>	<u>Governmental</u>	<u>Leighton</u>
			<u>contributions</u>	<u>activities</u>	<u>Township Green</u>
					<u>Lake Sewer</u>
					<u>Commission</u>
Governmental activities:					
Legislative	\$ 5,667	\$ -	\$ -	\$ (5,667)	
General government	215,257	12,075	-	(203,182)	
Public safety	339,623	99,297	-	(240,326)	
Public works	101,058	13,366	5,780	(81,912)	
Health and welfare	6,000	-	-	(6,000)	
Community and economic development	50,618	6,618	-	(44,000)	
Culture and recreation	139,077	26,649	6,528	(105,900)	
Interest on long-term debt	14,324	11,050	-	(3,274)	
Total primary government	<u>\$ 871,624</u>	<u>\$ 169,055</u>	<u>\$ 12,308</u>	<u>(690,261)</u>	
Component unit					
Public works	\$ 167,378	\$ 95,805	\$ 43,300		\$ (28,273)
Interest on long-term debt	22,562	18,170	-		(4,392)
Total component unit	<u>\$ 189,940</u>	<u>\$ 113,975</u>	<u>\$ 43,300</u>		<u>(32,665)</u>
General revenues					
Property taxes				\$ 605,516	-
Franchise fees				12,136	-
State grants				253,615	-
Investment income				22,844	7,423
Miscellaneous				14,998	-
Total general revenues				<u>909,109</u>	<u>7,423</u>
Change in net assets				218,848	(25,242)
Net assets - beginning				<u>2,150,886</u>	<u>2,822,427</u>
Net assets - ending				<u>\$ 2,369,734</u>	<u>\$ 2,797,185</u>

See notes to the financial statements

Township of Leighton
BALANCE SHEET - governmental funds
March 31, 2005

	<u>General</u>	<u>Special revenue</u>	
		<u>Road</u>	<u>Public Safety</u>
ASSETS			
Cash	\$ 119,649	\$ 207,007	\$ 407,090
Receivables, net	54,897	8,334	7,681
Due from other funds	98,325	-	-
Prepaid expenses	925	-	-
Total assets	<u>\$ 273,796</u>	<u>\$ 215,341</u>	<u>\$ 414,771</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 29,445	\$ 3,000	\$ -
Due to other funds	38,408	98,325	-
Deferred revenue	-	-	-
Total liabilities	<u>67,853</u>	<u>101,325</u>	<u>-</u>
Fund balances:			
Unreserved, undesignated	<u>205,943</u>	<u>114,016</u>	<u>414,771</u>
Total liabilities and fund balances	<u>\$ 273,796</u>	<u>\$ 215,341</u>	<u>\$ 414,771</u>

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.

Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.

Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities*

<u>Special revenue</u> <u>Library</u>	<u>Debt service</u> <u>Sewer</u>	<u>Total governmental funds</u>
\$ 315,671	\$ -	\$ 1,049,417
8,884	99,910	179,706
38,408	-	136,733
-	-	925
<u>\$ 362,963</u>	<u>\$ 99,910</u>	<u>\$ 1,366,781</u>
\$ 431	\$ -	\$ 32,876
-	-	136,733
-	99,910	99,910
<u>431</u>	<u>99,910</u>	<u>269,519</u>
<u>362,532</u>	<u>-</u>	<u>1,097,262</u>
<u>\$ 362,963</u>	<u>\$ 99,910</u>	

1,286,376

15,496

99,910

(129,310)

\$ 2,369,734

See notes to financial statements

Township of Leighton**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2005

		Special revenue	
	General	Road	Public Safety
REVENUES			
Taxes	\$ 178,455	\$ 142,937	\$ 131,783
Licenses and permits	109,640	-	-
State grants	253,615	5,780	-
Charges for services	18,486	-	-
Fines and forfeitures	-	-	-
Interest and rentals	12,929	3,289	6,675
Other	27,605	-	-
Total revenues	<u>600,730</u>	<u>152,006</u>	<u>138,458</u>
EXPENDITURES			
Legislative	5,667	-	-
General government	199,519	-	-
Public safety	260,365	-	-
Public works	214,680	-	-
Health and welfare	6,000	-	-
Community and economic development	50,618	-	-
Culture and recreation	1,462	-	-
Capital outlay	24,815	-	-
Debt service:			
Principal	29,400	-	-
Interest	3,274	-	-
Total expenditures	<u>795,800</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(195,070)</u>	<u>152,006</u>	<u>138,458</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	208,000	-	-
Transfers out	-	(128,000)	(80,000)
Total other financing sources (uses)	<u>208,000</u>	<u>(128,000)</u>	<u>(80,000)</u>
NET CHANGE IN FUND BALANCES	12,930	24,006	58,458
FUND BALANCES - BEGINNING	<u>193,013</u>	<u>90,010</u>	<u>356,313</u>
FUND BALANCES - ENDING	<u>\$ 205,943</u>	<u>\$ 114,016</u>	<u>\$ 414,771</u>

<u>Special revenue</u>	<u>Debt service</u>	<u>Total governmental</u>
<u>Library</u>	<u>Sewer</u>	<u>funds</u>
\$ 152,341	\$ -	\$ 605,516
-	-	109,640
3,181	-	262,576
-	-	18,486
26,649	-	26,649
1,951	11,050	35,894
<u>4,106</u>	<u>87,504</u>	<u>119,215</u>
<u>188,228</u>	<u>98,554</u>	<u>1,177,976</u>
-	-	5,667
-	-	199,519
-	-	260,365
-	-	214,680
-	-	6,000
-	-	50,618
144,390	-	145,852
-	-	24,815
-	87,504	116,904
<u>-</u>	<u>11,050</u>	<u>14,324</u>
<u>144,390</u>	<u>98,554</u>	<u>1,038,744</u>
<u>43,838</u>	<u>-</u>	<u>139,232</u>
-	-	208,000
<u>-</u>	<u>-</u>	<u>(208,000)</u>
<u>-</u>	<u>-</u>	<u>-</u>
43,838	-	139,232
<u>318,694</u>	<u>-</u>	<u>958,030</u>
<u>\$ 362,532</u>	<u>\$ -</u>	<u>\$ 1,097,262</u>

See notes to financial statements

Township of Leighton

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended March 31, 2005

Net change in fund balances - total governmental funds	\$ 139,232
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$(163,071) exceeded depreciation \$(111,290) in the current period.	51,781
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.	(1,565)
Because some special assessments will not be collected until subsequent periods, they are not considered available revenues and are deferred in the governmental funds. Deferred special assessment revenues decreased by this amount in the current period.	(87,504)
Repayment of note and contract principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>116,904</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 218,848</u>

See notes to the financial statements

Township of Leighton
STATEMENT OF FIDUCIARY NET ASSETS - agency fund
March 31, 2005

ASSETS

Cash	\$ <u>65,748</u>
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LIABILITIES

Payables	\$ <u>65,748</u>
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See notes to the financial statements

Township of Leighton
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Leighton, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely-presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township.

Discretely-presented component unit:

Leighton Township Green Lake Sewer Commission

The Leighton Township Green Lake Sewer Commission (the Commission) meets the criteria of a component unit and has been included in the Township's government-wide financial statements as a discretely-presented component unit. The Commission is reported in a separate column to emphasize it is legally separate from the Township. The Commission has a March 31 year end. The Commission's administrative office is located at 800 142nd Avenue, Wayland, Michigan 49348.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Road Fund accounts for the financial resources used for the maintenance of the Townships roads and right of ways. Revenues are primarily derived from property taxes and state grants.

The Public Safety Fund accounts for the financial resources used for the operational costs of the Township's fire and police protection. Revenues are primarily derived from property taxes.

The Library Fund accounts for the Township's operational costs of the Library. Revenues are primarily derived from property taxes.

The Sewer Fund accounts for the financial resources used for the payment of long-term debt. Revenues are primarily derived from special assessments.

The Township reports a single fiduciary fund, the Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow subsequent private-sector standards.

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 (\$10,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	5 - 10 years
Vehicles	10 - 20 years
Infrastructure	40 years

v) Deferred revenue - In the fund financial statements, governmental funds report deferred revenue in connection with resources for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

General	Debt Service - Principal	\$ -	\$ 29,400	\$ (29,400)
	Debt Service - Interest	-	3,274	(3,274)
Road	Other financing uses	123,000	128,000	(5,000)

NOTE 3 - CASH:

Cash as presented in the accompanying financial statements, consists of the following:

	<u>Govern- mental activities</u>	<u>Fiduciary</u>	<u>Total primary government</u>	<u>Total component unit</u>	<u>Totals</u>
Deposits	\$ 1,049,071	\$ 65,748	\$ 1,114,819	\$ 535,280	\$ 1,650,099
Cash on hand	<u>346</u>	<u>-</u>	<u>346</u>	<u>-</u>	<u>346</u>
Total cash	<u>\$ 1,049,417</u>	<u>\$ 65,748</u>	<u>\$ 1,115,165</u>	<u>\$ 535,280</u>	<u>\$ 1,650,445</u>

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH (Continued):

Deposits with financial institutions:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2005, the Township has deposits with a carrying amount of \$1,114,819 and a bank balance of \$1,146,340. Of the bank balance, \$393,243 is covered by federal depository insurance and \$753,097 is uninsured.

The Commission's cash is deposited with financial institutions authorized by statute. At March 31, 2005, the Commission has deposits with a carrying amount of \$535,280 and a bank balance of \$539,252. Of the bank balance, \$300,000 is covered by federal depository insurance and \$239,252 is uninsured.

NOTE 4 - RECEIVABLES:

At March 31, 2005, the Township's receivables were as follows:

	<u>Accounts</u>	<u>Interest</u>	<u>Property taxes</u>	<u>Special Assess- ments</u>	<u>Inter- govern- mental</u>	<u>Totals</u>
Governmental activities:						
General Fund	\$ 5,975	\$ -	\$ 10,012	\$ -	\$ 38,910	\$ 54,897
Road Fund	-	-	8,334	-	-	8,334
Public Safety Fund	-	-	7,681	-	-	7,681
Library Fund	-	-	8,884	-	-	8,884
Sewer Fund	-	-	-	99,910	-	99,910
Total governmental activities	<u>\$ 5,975</u>	<u>\$ -</u>	<u>\$ 34,911</u>	<u>\$ 99,910</u>	<u>\$ 38,910</u>	<u>\$ 179,706</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,561</u>	<u>\$ -</u>	<u>\$ 63,561</u>
Component unit:						
Leighton Township Green						
Lake Sewer Commission	<u>\$ 1,352</u>	<u>\$ 5,768</u>	<u>\$ -</u>	<u>\$ 345,000</u>	<u>\$ -</u>	<u>\$ 352,120</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 295,000</u>	<u>\$ -</u>	<u>\$ 295,000</u>

All receivables are due within one year and are considered fully collectible.

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2005, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 81,522	\$ -	\$ -	\$ 81,522
Capital assets being depreciated:				
Buildings and improvements	831,794	-	-	831,794
Equipment	401,625	47,278	-	448,903
Vehicles	459,158	-	-	459,158
Roads	-	115,793	-	115,793
Subtotal	1,692,577	163,071	-	1,855,648
Less accumulated depreciation for:				
Buildings and improvements	(187,340)	(23,757)	-	(211,097)
Equipment	(176,420)	(63,704)	-	(240,124)
Vehicles	(175,744)	(21,658)	-	(197,402)
Roads	-	(2,171)	-	(2,171)
Subtotal	(539,504)	(111,290)	-	(650,794)
Total capital assets being depreciated (net)	1,153,073	51,781	-	1,204,854
Governmental activities capital assets, net	<u>\$ 1,234,595</u>	<u>\$ 51,781</u>	<u>\$ -</u>	<u>\$ 1,286,376</u>
Component unit:				
Capital assets not being depreciated - land	\$ 138,782	\$ -	\$ -	\$ 138,782
Capital assets being depreciated:				
Sewer system	3,854,032	-	-	3,854,032
Equipment	25,077	-	-	25,077
Subtotal	3,879,109	-	-	3,879,109
Less accumulated depreciation for:				
Sewer system	(1,557,603)	(96,351)	-	(1,653,954)
Equipment	(15,044)	(2,508)	-	(17,552)
Subtotal	(1,572,647)	(98,859)	-	(1,671,506)
Total capital assets being depreciated (net)	2,306,462	(98,859)	-	2,207,603
Component unit capital assets, net	<u>\$ 2,445,244</u>	<u>\$ (98,859)</u>	<u>\$ -</u>	<u>\$ 2,346,385</u>

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to governmental activities as follows:

General government	\$	15,659
Public safety		61,894
Public works		2,171
Recreation and culture		<u>31,566</u>
Total governmental activities	\$	<u>111,290</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At March 31, 2005, the composition of interfund balances was as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$ <u>98,325</u>	Road	\$ <u>98,325</u>
Library	<u>38,408</u>	General	<u>38,408</u>
Totals	\$ <u>136,733</u>	Totals	\$ <u>136,733</u>

A summary of interfund transfers for the year ended March 31, 2005, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
General	\$ <u>208,000</u>	Road	\$ 128,000
		Public Safety	<u>80,000</u>
Totals	\$ <u>208,000</u>	Totals	\$ <u>208,000</u>

The transfer to the General Fund represents restricted revenues collected in the Road Fund to pay for maintenance costs of the Road Activities accounted for in the General Fund.

The transfer to the General Fund represents restricted revenues collected in the Public Safety Fund to pay for operational costs of the Fire and Police Protection Activities accounted for in the General Fund.

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - PAYABLES:

At March 31, 2005, the Township's payables were as follows:

	<u>Accounts</u>	<u>Customer Deposits</u>	<u>Totals</u>
Governmental activities:			
General Fund	\$ 29,966	\$ (521)	\$ 29,445
Road Fund	-	3,000	3,000
Public Safety Fund	-	-	-
Library Fund	431	-	431
Sewer Fund	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 30,397</u>	<u>\$ 2,479</u>	<u>\$ 32,876</u>

NOTE 8 - DEFERRED REVENUE:

As of March 31, 2005, deferred revenue consists of sewer special assessments unavailable to liquidate liabilities in the current period.

NOTE 9 - LONG-TERM OBLIGATIONS:

At March 31, 2005, long-term liabilities are comprised of the following individual issues:

Primary government:

Governmental activities:

Notes payable:

\$147,000 note payable for the purchase of a fire truck; payable in annual installments of \$29,400, plus interest at 5.50%; final payment due August 2005. \$ 29,400

Contract payable:

\$251,835 1992 sewer assessment, due in annual installments through 2007, interest at approximately 5.50% 7,476

\$1,251,500 1999 sewer assessment, due in annual installments through 2012, interest at approximately 4.30% 92,434

Total governmental activities long-term obligations \$ 129,310

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - LONG-TERM OBLIGATIONS (Continued):

At March 31, 2005, long-term liabilities are comprised of the following individual issues:

Component unit:

Bonds payable:

\$600,000 2002 Sewer disposal system revenue bonds; payable in annual installments of \$50,000, plus interest at 3.60% to 4.65%; final payment due April 2012. \$ 445,000

Less unamortized discount (8,400)

Total component unit long-term obligations \$ 436,600

a) Long-term obligation activity for the year ended March 31, 2005, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Primary government:					
Governmental activities:					
Note Payable - Fire Truck	\$ 58,800	\$ -	\$ (29,400)	\$ 29,400	\$ 29,400
1992 Sewer Assessment	16,703	-	(9,227)	7,476	4,981
1999 Sewer Assessment	<u>170,711</u>	<u>-</u>	<u>(78,277)</u>	<u>92,434</u>	<u>32,211</u>
Total governmental activities long-term obligations	<u>\$ 246,214</u>	<u>\$ -</u>	<u>\$ (116,904)</u>	<u>\$ 129,310</u>	<u>\$ 66,592</u>
Component unit:					
2002 Bonds Payable	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ (55,000)</u>	<u>\$ 445,000</u>	<u>\$ -</u>

b) Debt service requirements at March 31, 2005, were as follows:

Year ended March 31:	<u>Governmental activities</u>		<u>Component unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 65,749	\$ 6,601	\$ -	\$ 9,554
2007	33,449	2,774	55,000	18,063
2008	30,112	1,295	60,000	15,818
2009	-	-	60,000	13,372
2010	-	-	65,000	10,729
2011 - 2013	<u>-</u>	<u>-</u>	<u>205,000</u>	<u>14,361</u>
Totals	<u>\$ 129,310</u>	<u>\$ 10,670</u>	<u>\$ 445,000</u>	<u>\$ 81,897</u>

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for all of its employees except volunteer firemen and seasonal employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. The Township is required to contribute 10% - 25% of each qualified employee's base salary to the plan. The Township's contributions are fully vested immediately. The Township and employees made required contributions of \$7,058 and \$2,350, respectively.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

NOTE 11 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2005, is as follows:

Revenues	\$	97,504
Expenses		<u>86,162</u>
Excess of revenues over expenses	\$	<u>11,342</u>

NOTE 12 - JOINT VENTURES:

The Township, together with the Township of Dorr, established a joint wastewater treatment authority under the provisions of Public Act 233 of 1955, in order to acquire and operate water and sewage treatment systems to benefit both townships. The Township is contingently liable for \$1,479,139 of the authority's outstanding bonds payable, a portion of which is to be repaid from collections of special assessments levied against properties within the Township. Contracts payable equal to the outstanding assessment balances are included in the Township's general long-term debt account group.

NOTE 13 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective January 1, 2004, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change:

Net assets, as previously reported	\$ 958,030
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	1,234,595
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.	17,061
Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.	187,414
Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(246,214)</u>
Net assets, as restated	<u>\$ 2,150,886</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Leighton
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 156,100	\$ 156,100	\$ 178,455	\$ 22,355
Licenses and permits	112,000	112,000	109,640	(2,360)
State grants	280,000	280,000	253,615	(26,385)
Charges for services	24,500	24,500	18,486	(6,014)
Interest and rentals	9,000	9,000	12,929	3,929
Other	25,700	25,700	27,605	1,905
Total revenues	<u>607,300</u>	<u>607,300</u>	<u>600,730</u>	<u>(6,570)</u>
EXPENDITURES				
Legislative	<u>5,480</u>	<u>5,480</u>	<u>5,667</u>	<u>(187)</u>
General government:				
Supervisor	9,800	9,800	9,723	77
Election	14,600	14,600	11,033	3,567
Assessor	31,000	31,000	35,307	(4,307)
Clerk	23,950	23,950	20,634	3,316
Board of review	1,600	1,600	1,393	207
Treasurer	22,450	22,450	22,351	99
Hall and grounds	24,700	24,700	18,526	6,174
Cemetery	10,000	11,000	10,641	359
Other	67,750	73,750	69,911	3,839
Total general government	<u>205,850</u>	<u>212,850</u>	<u>199,519</u>	<u>13,331</u>
Public safety:				
Police	53,900	53,900	52,003	1,897
Fire	121,400	136,400	122,200	14,200
Building inspections	<u>130,000</u>	<u>115,000</u>	<u>86,162</u>	<u>28,838</u>
Total public safety	<u>305,300</u>	<u>305,300</u>	<u>260,365</u>	<u>44,935</u>
Public works:				
Highways and streets	186,500	186,500	178,639	7,861
Street lighting	13,500	13,500	16,229	(2,729)
Drains	22,000	22,000	18,570	3,430
Recycling	<u>1,200</u>	<u>1,200</u>	<u>1,242</u>	<u>(42)</u>
Total public works	<u>223,200</u>	<u>223,200</u>	<u>214,680</u>	<u>8,520</u>
Health and welfare - ambulance	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>
Community and economic development - planning and zoning	<u>50,620</u>	<u>50,620</u>	<u>50,618</u>	<u>2</u>

Township of Leighton
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Recreation and culture:				
Parks and recreation	\$ 2,000	\$ 2,000	\$ 703	\$ 1,297
Library	800	800	759	41
Total recreation and culture	<u>2,800</u>	<u>2,800</u>	<u>1,462</u>	<u>1,338</u>
Capital outlay	<u>95,330</u>	<u>95,330</u>	<u>24,815</u>	<u>70,515</u>
Debt service:				
Principal	<u>-</u>	<u>-</u>	<u>29,400</u>	<u>(29,400)</u>
Interest	<u>-</u>	<u>-</u>	<u>3,274</u>	<u>(3,274)</u>
Total expenditures	<u>894,580</u>	<u>901,580</u>	<u>795,800</u>	<u>105,780</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(287,280)</u>	<u>(294,280)</u>	<u>(195,070)</u>	<u>99,210</u>
OTHER FINANCING SOURCES:				
Transfer from Road Fund	123,000	123,000	128,000	5,000
Transfer from Public Safety Fund	<u>120,000</u>	<u>120,000</u>	<u>80,000</u>	<u>(40,000)</u>
Total other financing sources	<u>243,000</u>	<u>243,000</u>	<u>208,000</u>	<u>(35,000)</u>
NET CHANGE IN FUND BALANCES	<u>(44,280)</u>	<u>(51,280)</u>	<u>12,930</u>	<u>64,210</u>
FUND BALANCES - BEGINNING	<u>193,013</u>	<u>193,013</u>	<u>193,013</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 148,733</u>	<u>\$ 141,733</u>	<u>\$ 205,943</u>	<u>\$ 64,210</u>

Township of Leighton
BUDGETARY COMPARISON SCHEDULE - Road Fund
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 133,000	\$ 133,000	\$ 142,937	\$ 9,937
State grants	-	-	5,780	5,780
Interest	-	-	3,289	3,289
	<u>133,000</u>	<u>133,000</u>	<u>152,006</u>	<u>19,006</u>
OTHER FINANCING USES				
Transfer to General Fund	<u>(123,000)</u>	<u>(123,000)</u>	<u>(128,000)</u>	<u>(5,000)</u>
NET CHANGE IN FUND BALANCES	10,000	10,000	24,006	14,006
FUND BALANCES - BEGINNING	<u>90,010</u>	<u>90,010</u>	<u>90,010</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 100,010</u>	<u>\$ 100,010</u>	<u>\$ 114,016</u>	<u>\$ 14,006</u>

Township of Leighton**BUDGETARY COMPARISON SCHEDULE - Public Safety Fund**

Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 130,000	\$ 130,000	\$ 131,783	\$ 1,783
Interest	<u>-</u>	<u>-</u>	<u>6,675</u>	<u>6,675</u>
Total revenues	<u>130,000</u>	<u>130,000</u>	<u>138,458</u>	<u>8,458</u>
OTHER FINANCING USES				
Transfer to General Fund	<u>(120,000)</u>	<u>(120,000)</u>	<u>(80,000)</u>	<u>40,000</u>
NET CHANGE IN FUND BALANCES	10,000	10,000	58,458	48,458
FUND BALANCES - BEGINNING	<u>356,313</u>	<u>356,313</u>	<u>356,313</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 366,313</u>	<u>\$ 366,313</u>	<u>\$ 414,771</u>	<u>\$ 48,458</u>

Township of Leighton
BUDGETARY COMPARISON SCHEDULE - Library Fund
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 151,225	\$ 151,225	\$ 152,341	\$ 1,116
State grants	-	-	3,181	3,181
Fines and forfeitures	23,000	23,000	26,649	3,649
Interest	-	-	1,951	1,951
Other	500	500	4,106	3,606
	<u>174,725</u>	<u>174,725</u>	<u>188,228</u>	<u>13,503</u>
Total revenues				
EXPENDITURES				
Recreation and culture	144,500	144,500	144,390	110
Capital outlay	26,000	26,000	-	26,000
	<u>170,500</u>	<u>170,500</u>	<u>144,390</u>	<u>26,110</u>
Total expenditures				
NET CHANGE IN FUND BALANCES	4,225	4,225	43,838	39,613
FUND BALANCES - BEGINNING	<u>318,694</u>	<u>318,694</u>	<u>318,694</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 322,919</u>	<u>\$ 322,919</u>	<u>\$ 362,532</u>	<u>\$ 39,613</u>